

ALASKA STATE LEGISLATURE



House of Representatives

Jason Soza
Chief Procurement Officer
Department of Administration
PO Box 110210
Juneau, AK 99801-0210

Dear Mr. Soza,

Thank you for your participation in the April 2 oversight hearing regarding the single-source procurement of Wellpath services at the Alaska Psychiatric Institute (API). In light of new information brought forth at that hearing, we are writing to request that you halt Phase 2 of the contract with Wellpath to take over management and require any consideration of privatization services of the facility be executed through the competitive procurement process in Alaska Statutes and regulations.

We are concerned that during the single-source procurement process the Department of Health and Social Services (DHSS) failed to inform you of Wellpath's record of lawsuits and patient deaths resulting from negligence and inadequate staffing. Department leadership should have provided that information to you when they requested a no-bid contract. API is a unique program and facility in Alaska with an especially vulnerable population which is not able to effectively advocate for themselves because of the very illnesses they are in API to treat. As such, we have a special responsibility to ensure due diligence is

applied in selecting the contractor to run API. In failing to provide you information on Wellpath's troubled legal and safety history, they failed to properly inform you of the risks associated with this contract to hand-over management of API to a for-profit company based in the lower-48.

Additionally, DHSS should have also informed you that there were other vendors capable of providing the services outlined in the contract. As is described in the attached letter, Providence Health and Services previously offered to run API or help the Department implement reforms. There are other organizations also capable of providing either turn-around and operations services to the State of Alaska which should be explored. The lack of integrity raises concerns about the procurement process when DHSS excluded Alaska's largest and most experienced non-profit health care provider in favor of a for-profit company with a troubling record of performance.

The Department's failure to disclose such information is even more disturbing considering that DHSS leadership sought a single-source procurement—rather than a shorter-term emergency procurement—with the express purpose of facilitating permanent transfer of API management to Wellpath. We believe it is inappropriate and possibly illegal to structure procurement to avoid competition.

Further, it is concerning that the department suggested that continuity of management was a reasonable justification for issuing a single source contract valued at \$225 million over 5 years. If Wellpath truly is the best vendor to run API, they should be more than capable of facilitating a short-term turn-around contract for the remainder of FY19 and then be able to use that success as the rationale for securing a longer-term contract to run API. If they aren't capable of providing the turn-around they have promised, then they should be more than willing to compete for the right to run API.

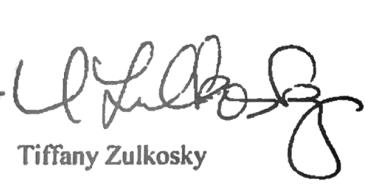
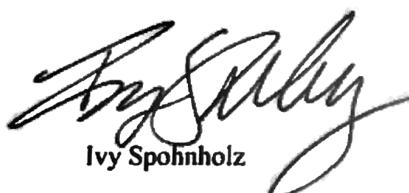
Finally, Wellpath's record to date only confirms doubt about their capabilities. API has extremely low capacity and has lost even more psychiatrists. There is no significant progress toward API reaching capacity, yet the terms of the proposed Phase 2 contract would let Wellpath collect income for "available"

beds, even if beds are not filled; cumulatively leaving the state exposed to nearly a quarter-billion dollars in contract obligations over five years without any assurance of performance from Wellpath.

As you testified, you have the authority to terminate contracts when the businesses in question are unresponsive or not responsible. We urge you to halt work on Phase 2 privatization and require that any transition in management of API from the state to a private entity be offered in a competitive bidding process.

Thank you for your long service to the State of Alaska, including during this very challenging period for API.

Sincerely,



Ivy Spohnholz
Tiffany Zulkosky

Co-Chairs, Health and Social Services Committee



Matt Claman

Chair, Judiciary Committee



Zack Fields

Co-Chairs, State Affairs Committee



Jonathan Kreiss Tomkins